



Mary Taylor, CPA
Auditor of State

**TUSCARAWAS COUNTY PORT AUTHORITY
TUSCARAWAS COUNTY**

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Mary Taylor, CPA

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INDEPENDENT ACCOUNTANTS' REPORT

Tuscarawas County Port Authority
Tuscarawas County
339 Oxford Street
Dover, Ohio 44622

To the Board of Directors:

We have audited the accompanying basic financial statements of the Tuscarawas County Port Authority, Tuscarawas County, Ohio, (the Port Authority) a component unit of Tuscarawas County, as of and for the years ended December 31, 2006 and 2005, as listed in the Table of Contents. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tuscarawas County Port Authority, as of December 31, 2006 and 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2007, on our consideration of the Port Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

June 15, 2007

TUSCARAWAS COUNTY PORT AUTHORITY
Management's Discussion and Analysis
For the Years ended December 31, 2006 and 2005
(Unaudited)

The discussion and analysis of the Tuscarawas County Port Authority's (Port Authority) financial performance provides an overall review of the Port Authority's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the Port Authority's financial performance as a whole; readers are encouraged to consider information presented here as well as the basic financial statements to enhance their understanding of the Port Authority's financial performance.

Using this Financial Report

This annual report consists of two parts, the MD&A and the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in fund net assets and a statement of cash flows. Since the Port Authority only uses one fund for its operations, the entity-wide and the fund presentation information is the same.

Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Net Assets answers the question, "How did we do financially during 2006 and 2005?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. The basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This change in net assets is important because it tells the reader whether, for the Port Authority as a whole, the financial position of the Port Authority has improved or diminished. However, in evaluating the overall position of the Port Authority, non-financial information such as changes in the condition of the Port Authority's capital assets will also need to be evaluated.

This section contains a condensed comparison of assets, liabilities, net assets, revenues and expenses and explanations for significant differences.

In the statement of net assets and the statement of activities, the Port Authority is divided into two kinds of activities:

- ***Business-Type Activities*** – These services are provided on a charge for goods or services basis to recover all or most of the cost of services provided.
- ***Component Unit*** – The Port Authority's financial statements include financial data of the Business Park Incubator. This component unit is described in the notes to the financial statements. The component unit is separate and may buy, sell, lease, and mortgage property in their own name and can sue or be sued in their own name.

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For the Year ended December 31, 2006 and 2005
(Unaudited)

Table 1 provides a summary of the Port Authority's net assets for 2006, 2005 and 2004.

	2006	2005	2004
Assets:			
Current and other assets	\$ 143,177	\$ 228,894	\$ 73,790
Capital assets	8,047,804	7,978,181	5,240,154
Total Assets	8,190,981	8,207,075	5,313,944
Liabilities:			
Current liabilities	339,105	1,399,809	2,385,540
Long-term other liabilities	4,839,896	3,965,763	2,664,959
Total liabilities	5,179,001	5,365,572	5,050,499
Net Assets:			
Invested in capital assets, net of related debt	2,998,304	2,722,295	320,589
Unrestricted	13,676	119,208	(57,144)
Total Net Assets	\$ 3,011,980	\$ 2,841,503	\$ 263,445

Total assets decreased in 2006 by \$16,094. Capital assets (net) increased by \$69,623 which is due to the purchase of additional vehicles and the improvements to property exceeding depreciation expense. This increase of capital assets is off set by a decrease in current and other assets of \$85,717. Total liabilities decreased by \$186,571. The decrease is due to the payment of debt. Total assets increased in 2005 by \$2,893,131. The increase is due to the purchase of additional property. Total liabilities increased by \$315,073. The increase is due to the Port Authority obtaining additional long term and short term loans

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TUSCARAWAS COUNTY PORT AUTHORITY
Management's Discussion and Analysis
For the Year ended December 31, 2006 and 2005
(Unaudited)

Table 2 shows the changes in net assets for the years ended December 31, 2006, 2005 and 2004. Total net assets increased by \$170,477 in 2006. Total net assets increased by \$2,578,058 in 2005. This number reflects an increase in net assets due to donated property.

Table 2
Revenues and Expenses

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating Revenues:			
Rentals	\$ 810,014	\$ 810,817	\$ 754,379
Permit Fees	426,290	165,048	0
Contributions	<u>0</u>	<u>2,613,999</u>	<u>0</u>
Total Operating Revenues	1,236,304	3,589,864	754,379
Operating Expenses:			
Salaries and benefits	364,333	281,698	166,399
Contractual services	92,149	195,835	71,737
Material and supplies	19,652	11,155	5,553
Insurance	47,184	42,299	26,926
Travel	22,535	12,884	1,433
Utilities	52,575	36,906	44,124
Depreciation	185,670	106,631	30,891
Other	<u>29,539</u>	<u>82,665</u>	<u>8,498</u>
Total Operating Expenses	<u>813,637</u>	<u>770,073</u>	<u>355,561</u>
Operating income	422,667	2,819,791	398,818
Non-Operating Revenues (Expenses):			
Interest and fiscal charges	(255,490)	(242,629)	(227,217)
Interest	1,445	570	1,973
Other income	<u>1,855</u>	<u>326</u>	<u>190</u>
Net Non-Operating Revenues (Expenses)	<u>(252,190)</u>	<u>(241,733)</u>	<u>(225,054)</u>
Increase in Net Assets	<u>\$ 170,477</u>	<u>\$ 2,578,058</u>	<u>\$ 173,764</u>

TUSCARAWAS COUNTY PORT AUTHORITY
Management's Discussion and Analysis
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(Unaudited)

Capital Assets

At the end of year 2006, the Port Authority had \$8,047,794 invested in land, buildings, office equipment and vehicles. Table 3 shows fiscal year 2006 balances compared with 2005 and 2004.

Table 3
Capital Assets at December 31, 2006, 2005 and 2004
(Net of Depreciation)

	2006	2005	2004
Land	\$1,197,880	\$1,197,880	\$ 674,620
Buildings and Improvements	6,680,281	6,762,799	1,067,279
Vehicles	34,467	7,004	9,806
Office Equipment	8,300	10,488	748
Construction in Progress	126,866	0	3,487,691
Totals	\$8,047,794	\$7,978,171	\$5,240,144

The \$69,623 increase in 2006 in capital assets was attributable to the purchase of vehicles and improvements to property. The \$2,738,027 increase in 2005 in capital assets was attributable to the donation of additional property. Note 3 provides capital asset activity during the 2006 and 2005 year.

Debt

The outstanding debt for the Port Authority as of December 31, 2006 was \$5,049,491. This balance reflected a decrease of \$206,385 from the December 31, 2005 balance of \$5,255,876, a decrease of 3.9 percent. Table 4 summarizes outstanding debt.

Table 4
Debt

	2006	2005	2004
Notes and Loans Payable	\$ 5,049,491	\$ 5,255,876	\$ 4,919,555

Additional information concerning the Port Authority's debt can be found in Notes 6 and 7 to the basic financial statements.

TUSCARAWAS COUNTY PORT AUTHORITY
Management's Discussion and Analysis
For the Year ended December 31, 2006 and 2005
(Unaudited)

Current Issues

In June of 2006, the TCPA donated 0.78 acres of the donated land to the Village of Gnadenhutzen for use as a recreation area adjacent to an existing Ball Park.

In December of 2006, the TCPA signed a fifteen year lease for eighty thousand square feet of renovated space in the SGBP with Plymouth Foam a Wisconsin company. The estimated total cost of the renovation project is \$2.3 million. It is scheduled to be completed by the third quarter of 2007.

Contacting the Tuscarawas County Port Authority's Financial Management

This financial report is intended to provide our citizens, investors and creditors with a general overview of the Port Authority's finances and to demonstrate the Port Authority's accountability for the revenue it receives. If you have questions about this report or need additional financial information, contact the Executive Director at the Tuscarawas County Port Authority, 339 Oxford Street Dover, Ohio 44622.

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**Tuscarawas County Port Authority
Tuscarawas County**

*Comparative Statement of Fund Net Assets
Proprietary Fund
December 31, 2006 and 2005*

	2006		2005	
	Primary Government	Component Unit	Primary Government	Component Unit
	Business-Type Activities	Business Park Incubator	Business-Type Activities	Business Park Incubator
Assets:				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 26,965	\$ 11,874	\$ 100,719	\$ 1,839
Deferred Charges	88,140	0	94,589	0
Accounts Receivable	13,505	2,654	15,156	882
Intergovernmental Receivable	8,085	0	18,430	0
Prepaid Items	6,482	0	0	0
<i>Total Current Assets</i>	<u>143,177</u>	<u>14,528</u>	<u>228,894</u>	<u>2,721</u>
<i>Non-Current Assets:</i>				
Deposits	10	0	10	0
Non-Depreciable Capital Assets	1,324,746	0	1,197,880	0
Depreciable Capital Assets, Net	6,723,048	28,051	6,780,291	32,606
<i>Total Non-Current Assets</i>	<u>8,047,804</u>	<u>28,051</u>	<u>7,978,181</u>	<u>32,606</u>
<i>Total Assets</i>	<u>8,190,981</u>	<u>42,579</u>	<u>8,207,075</u>	<u>35,327</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	17,158	0	27,754	2,463
Accrued Wages	5,235	0	4,620	0
Intergovernmental Payable	4,766	0	7,013	0
Deferred Revenue	92,653	0	61,144	0
Accrued Interest Payable	9,698	0	9,166	0
Loans Payable	179,595	0	189,180	0
Notes Payable	30,000	0	1,100,932	0
<i>Total Current Liabilities</i>	<u>339,105</u>	<u>0</u>	<u>1,399,809</u>	<u>2,463</u>
<i>Long-Term Liabilities:</i>				
Loans Payable - net of current portion	4,839,896	0	3,965,763	0
<i>Total Long-Term Liabilities</i>	<u>4,839,896</u>	<u>0</u>	<u>3,965,763</u>	<u>0</u>
<i>Total Liabilities</i>	<u>5,179,001</u>	<u>0</u>	<u>5,365,572</u>	<u>2,463</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	2,998,304	28,051	2,722,295	32,606
Restricted for:				
Other Purposes	0	10,000	0	0
Unrestricted	13,676	4,528	119,208	258
<i>Total Net Assets</i>	<u>\$ 3,011,980</u>	<u>\$ 42,579</u>	<u>\$ 2,841,503</u>	<u>\$ 32,864</u>

See accompanying notes and accountant's compilation report.

Tuscarawas County Port Authority
Tuscarawas County

Comparative Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended December 31, 2006 and 2005

	2006		2005	
	Primary Government	Component Unit	Primary Government	Component Unit
	Business-Type Activities	Business Park Incubator	Business-Type Activities	Business Park Incubator
Operating Revenue				
Rentals	\$ 810,014	\$ 0	\$ 810,817	\$ 0
Permit Fees	426,290	0	165,048	0
Contributions	0	56,800	2,613,999	51,488
Other	0	14,515	0	14,713
<i>Total Operating Revenues</i>	<u>1,236,304</u>	<u>71,315</u>	<u>3,589,864</u>	<u>66,201</u>
Operating Expenses				
Salaries and Benefits	364,333	0	281,698	0
Contractual Services	92,149	9,251	195,835	1,434
Materials & Supplies	19,652	948	11,155	1,293
Insurance and Bonding	47,184	0	42,299	500
Facility Rent	0	46,800	0	46,800
Travel	22,535	0	12,884	0
Utilities	52,575	0	36,906	12,277
Depreciation	185,670	4,555	106,631	4,537
Other	29,539	375	82,665	450
<i>Total Operating Expenses</i>	<u>813,637</u>	<u>61,929</u>	<u>770,073</u>	<u>67,291</u>
<i>Operating Income</i>	<u>422,667</u>	<u>9,386</u>	<u>2,819,791</u>	<u>(1,090)</u>
Non-Operating Revenues (Expenses)				
Interest	1,445	329	570	0
Interest and Fiscal Charges	(255,490)	0	(242,629)	(227)
Other Income	1,855	0	326	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(252,190)</u>	<u>329</u>	<u>(241,733)</u>	<u>1,668</u>
<i>Change in Net Assets</i>	170,477	9,715	2,578,058	578
<i>Net Assets at Beginning of Year</i>	<u>2,841,503</u>	<u>32,864</u>	<u>263,445</u>	<u>32,286</u>
<i>Net Assets at End of Year</i>	<u>\$ 3,011,980</u>	<u>\$ 42,579</u>	<u>\$ 2,841,503</u>	<u>\$ 32,864</u>

See accompanying notes and accountant's compilation report.

**Tuscarawas County Port Authority
Tuscarawas County**

*Comparative Statement of Cash Flows - Proprietary Fund
For the Year Ended December 31, 2006 and 2005*

	2006		2005	
	Primary Government	Component Unit	Primary Government	Component Unit
	Business-Type Activities	Business Park Incubator	Business-Type Activities	Business Park Incubator
Increase (Decrease) in Cash and Cash Equivalents:				
Cash flows from Operating Activities:				
Cash Received from Customers	\$ 1,259,713	29,536	\$ 3,544,579	13,831
Cash Payments to Suppliers for Goods and Services	(19,652)	(19,278)	(10,162)	(1,293)
Cash Payments for Employees Services and Benefits	(369,945)	0	(291,879)	0
Cash Payments for Contractual Services	(134,459)	(177)	(263,469)	(11,749)
Other Cash Payments	(102,523)	(375)	(17,432)	(450)
<i>Net Cash Provided by Operating Activities</i>	<u>633,134</u>	<u>9,706</u>	<u>2,961,637</u>	<u>339</u>
Cash Flows from Noncapital Financing Activities:				
Other Income	1,855	0	326	0
Cash Flows from Capital and Related financing Activities:				
Proceeds from Notes	0	0	49,500	0
Proceeds from Loans	1,060,599	0	4,200,000	0
Proceeds from Sale of Fixed Assets	0	0	0	7,578
Acquisition of Capital Assets	(255,294)	0	(2,844,658)	0
Principal Paid on Notes	(1,070,933)	0	0	0
Principal Payments on Long-Term Debt	(196,051)	0	(3,913,180)	(7,578)
Interest Paid on All Debt	(248,509)	0	(408,836)	(227)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(710,188)</u>	<u>0</u>	<u>(2,917,174)</u>	<u>(227)</u>
Cash Flows from Investing Activities:				
Receipts of Interest	1,445	329	570	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>1,445</u>	<u>329</u>	<u>570</u>	<u>0</u>
<i>Net Increase/(Decrease) in Cash and Cash Equivalents</i>	(73,754)	10,035	45,359	112
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>100,719</u>	<u>1,839</u>	<u>55,360</u>	<u>1,727</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 26,965</u>	<u>\$ 11,874</u>	<u>\$ 100,719</u>	<u>\$ 1,839</u>
Reconciliation of Operating Income To Net Cash Provided by Operating Activities:				
Operating Income	\$ 422,667	\$ 9,386	\$ 2,819,791	\$ (1,090)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	185,670	4,555	106,631	4,537
(Increase) Decrease in Assets:				
Intergovernmental Receivable	10,345	0	0	0
Accounts Receivable	1,651	(1,771)	(15,156)	(882)
Prepays	(6,482)	0		
Increase (Decrease) in Liabilities:				
Commissions Payable	0	0	(31,489)	0
Accounts Payable	(10,594)	(2,464)	23,143	(2,226)
Accrued Wages	615	0	606	
Deferred Revenue	31,509	0	61,144	0
Intergovernmental Payable	(2,247)	0	(3,033)	0
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 633,134</u>	<u>\$ 9,706</u>	<u>\$ 2,961,637</u>	<u>\$ 339</u>

See accompanying notes and accountant's compilation report.

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**TUSCARAWAS COUNTY PORT AUTHORITY
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Tuscarawas County Port Authority (the Port Authority) is presented to assist in understanding the entity's financial statements. The financial statements and notes are representations of the entity's management and board who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles for governmental agencies including those principles prescribed by the Governmental Accounting Standard Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by The Financial Accounting Standards Board (FASB) (when applicable). The above policies have been consistently applied in the preparation of the financial statements.

A. Reporting Entity

The Tuscarawas County Port Authority, Tuscarawas County, is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio pursuant to the authority of Section 4582.02 of the Ohio Revised Code. The Port Authority was created December 31, 2000. The Port Authority is governed by a five-member Board of Directors. Members of the Board are appointed by the Tuscarawas County Commissioners. The purpose of the Port Authority is to be involved in the activities that enhance, foster, aid, provide, or promote transportation, economic development, housing, recreation, education, governmental operations, culture, or research within Tuscarawas County.

The Port Authority is a component unit of Tuscarawas County since the members of the Port Authority are appointed by the Tuscarawas County Board of Commissioners and the Port Authority is economically dependent on the County for financial support. Tuscarawas County Commissioners have no authority regarding the day-to-day activities and business affairs of the Port Authority beyond the creation of the Port Authority and the appointment of its Board of Directors. Tuscarawas County maintains its own accounting functions, is a separate reporting entity, and its financial activity is not included within the financial statements of the Port Authority.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Port Authority consists of its general operating fund.

Component units are legally separate organizations for which the Port Authority is financially accountable. The Port Authority is financially accountable for an organization if the Port Authority appoints a voting majority of the organization's governing board and (1) the Port Authority is able to significantly influence the programs or services performed or provided by the organizations; (2) the Port Authority is legally entitled to or can otherwise access the organization's resources; (3) the Port Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits, or provide financial support to, the organization; or (4) the Port Authority is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the Port Authority in that the Port Authority approves the budget, the issuance of debt or the levying of taxes.

**TUSCARAWAS COUNTY PORT AUTHORITY
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Unit – The component unit column in the entity-wide financial statements identify the financial date of the Port Authority’s component unit, Business Park Incubator. It is reported separately to emphasize that it is legally separate from the Port Authority.

Business Park Incubator – The Business Park Incubator, Inc. (the “Business Park”) is a legally separate entity and was incorporated as a not-for-profit under the laws of the State of Ohio on August 7, 2003. Operations of the Business Park commenced March 1, 2005. The Business Park was organized for the purpose to develop and promote a business incubator in order to aid development of scalable, light manufacturing, assembly, service, or other businesses within Tuscarawas County and the surrounding areas and communities. The Business Park’s board members are appointed by the Tuscarawas County Port Authority’s board of directors. Since the Business Park imposes a financial burden on the Tuscarawas County Port Authority, the Business Park is reflected as a component unit of the Port Authority. Financial statements can be obtained from Andy Chapman, Treasurer, Business Park Incubator, 315 East Broadway, Dover, Ohio 44622.

The Port Authority’s management believes these financial statements present all activities for which the Port Authority is financially accountable. The Port Authority was formed on January 17, 2001.

B. Basis of Accounting

The financial statements of the Port Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port Authority also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

The Port Authority’s financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows.

The Port Authority uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

C. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Port Authority are included on the statement of net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Port Authority finances and meets the cash flow needs of its enterprise activity.

**TUSCARAWAS COUNTY PORT AUTHORITY
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The Port Authority maintains an Enterprise Fund, a proprietary fund type, which is the general operating fund and is used to account for all financial resources of the Port Authority. This fund is used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

E. Budgetary Process

Ohio Rev. Code Section 4582.13, requires that each fund be budgeted annually. This budget includes estimated receipts and appropriations.

1. Appropriations

The Board annually approves appropriations and subsequent amendments. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

3. Encumbrances

The Port Authority reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and are not reappropriated.

F. Capital Assets

Capital assets utilized by the Port Authority are reported on the statement of net assets. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are reported at their fair market values as of the date received. The Port Authority maintains a capitalization threshold of five hundred dollars. Improvements are capitalized, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Depreciation is computed using the straight-line method over the following useful lives:

Land	N/A
Buildings and Improvements	39 Years
Vehicles	5 Years
Office Equipment	7 Years

**TUSCARAWAS COUNTY PORT AUTHORITY
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Port Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Port Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The Port Authority did not have any restricted net assets for 2006 and 2005.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the Port Authority, these revenues are rental fees and permit fees. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Port Authority.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH

State statues classify monies held by the Port Authority into three categories.

Active monies are public deposits necessary to meet the demands on the treasury. Such monies must be maintained either as cash in the Port Authority Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Port Authority has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

**TUSCARAWAS COUNTY PORT AUTHORITY
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005**

NOTE 2: CASH (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and any other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Port Authority, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Port Authority's name. During 2006 and 2005, the Port Authority and public depositories complied with the provisions of these statutes.

**TUSCARAWAS COUNTY PORT AUTHORITY
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005**

NOTE 2: CASH (Continued)

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the Port Authority's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Port Authority.

At December 31, 2006 and 2005, the carrying amount of the Port Authority's deposits was \$26,965 and \$100,719, which includes petty cash in the amount of \$143 and \$65, respectively. The bank balance was \$67,714 and \$108,277, respectively, which was covered by both Federal Depository Insurance and pledged securities.

Investments

Interest Rate Risk The Port Authority has no investment policy in place at this time.

Concentration of Credit Risk The Port Authority places no limit on the amount the Port Authority may invest in any one issuer.

The Port Authority has no investments at year end.

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**TUSCARAWAS COUNTY PORT AUTHORITY
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005**

NOTE 3: CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2005 was as follows:

	Balance 01/01/05	Additions	Deletions	Balance 12/31/05
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 674,620	\$ 523,260	\$ 0	\$ 1,197,880
Construction in progress	3,487,691	219,770	(3,707,461)	0
<i>Total capital assets not being depreciated</i>	4,162,311	743,030	(3,707,461)	1,197,880
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	1,117,212	5,798,201	0	6,915,413
Vehicles	14,009	0	0	14,009
Office equipment	757	10,888	0	11,645
<i>Total capital assets, being depreciated</i>	1,131,978	5,809,089	0	6,941,067
<i>Less: Accumulated depreciation:</i>				
Buildings and improvements	(49,933)	(102,681)	0	(152,614)
Vehicles	(4,203)	(2,802)	0	(7,005)
Office equipment	(9)	(1,148)	0	(1,157)
<i>Total accumulated depreciation</i>	(54,145)	(106,631)	0	(160,776)
<i>Total capital assets, being depreciated, net</i>	1,077,833	5,702,458	0	6,780,291
<i>Capital Assets, Net</i>	\$ 5,240,144	\$ 6,445,488	\$ (3,707,461)	\$ 7,978,171

**TUSCARAWAS COUNTY PORT AUTHORITY
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005**

NOTE 3: CAPITAL ASSETS (Continued)

Capital asset activity for the fiscal year ended December 31, 2006 was as follows:

	Balance 01/01/06	Additions	Deletions	Balance 12/31/06
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 1,197,880	\$ 0	\$ 0	\$ 1,197,880
Construction in progress	0	126,866	0	126,866
Total capital assets not being depreciated	1,197,880	126,866	0	1,324,746
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	6,915,413	94,799	0	7,010,212
Vehicles	14,009	33,629	0	47,638
Office equipment	11,645	0	0	11,645
Total capital assets, being depreciated	6,941,067	128,428	0	7,069,495
<i>Less: Accumulated depreciation:</i>				
Buildings and improvements	(152,614)	(177,317)	0	(329,931)
Vehicles	(7,005)	(6,166)	0	(13,171)
Office equipment	(1,157)	(2,188)	0	(3,345)
Total accumulated depreciation	(160,776)	(185,671)	0	(346,447)
Total capital assets, being depreciated, net	6,780,291	(57,243)	0	6,723,048
Capital Assets, Net	\$ 7,978,171	\$ 69,623	\$ 0	\$ 8,047,794

NOTE 4: DEFINED BENEFIT PENSION PLANS

Pension Benefit Obligation

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705.

**TUSCARAWAS COUNTY PORT AUTHORITY
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005**

NOTE 4: DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9.0 percent of their annual covered salary to fund pension obligations. The Port Authority is required to contribute 13.70 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Port Authority's required contributions to OPERS for the years ended December 31, 2006, 2005 and 2004 were \$36,080, \$27,737 and \$11,225, respectively. The full amount has been contributed for 2005 and 2004. 100 percent has been contributed for 2006.

Post-Employment Benefits

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate for 2006 and 2005 was 13.7 and 13.55 percent respectively of covered payroll; 4 and 4.5 percent was the portion that was used to fund health care for 2006 and 2005 respectively. The Port Authority's required contributions to OPERS for the years ended December 31, 2006, 2005 and 2004 were \$11,851, \$8,188 and \$6,564, respectively.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

All investments are carried at market. For actuarial purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants was 369,214. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of death benefits at December 31, 2005 (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

**TUSCARAWAS COUNTY PORT AUTHORITY
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005**

NOTE 5: RISK MANAGEMENT

The Port Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters.

The Port Authority has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions
- General liability and casualty

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has not been a significant reduction in coverage from the prior year.

The Port Authority also provided health insurance and vision coverage to full-time employees through the Tuscarawas County Employees Self-Insurance Plan.

NOTE 6: NOTE PAYABLE

In June 2003 the Tuscarawas County Commissioners approved a \$150,000 loan to enable the Port Authority to continue operations from July 2004 through June 2005. Terms of the loan will include a 3 percent interest rate for the first year and a 5 percent rate if it is renewed the following year.

In October 2003 the Tuscarawas County Commissioners approved a \$317,500 loan to enable the Port Authority to acquire the Rolite Plastics Midvale property. Terms of the loan will include a 3 percent interest rate for the first year and a 5 percent rate if it is renewed the following year.

In December 2003 the Tuscarawas County Commissioners approved a \$600,000 loan to enable the Port Authority to make the necessary renovations in 60,000 square feet of the Port Authority's Business Park for Rolite Plastics. Terms of the loan will include a 3 percent interest rate for the first year and a 5 percent rate if it is renewed the following year.

In April 2005 the Port Authority took out a revolving loan authorizing \$50,000 with J.P. Morgan Chase Bank. The proceeds were used for operating capital. The interest rate is prime plus one percent and is re-set monthly. As of December 31, 2006 and 2005, \$30,000 and \$49,500, respectively, was outstanding.

**TUSCARAWAS COUNTY PORT AUTHORITY
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005**

NOTE 6: NOTE PAYABLE (Continued)

Changes in note obligations of the Port Authority during the year ended December 31, 2005 consisted of the following:

	Outstanding 01/01/05	Additions	Reductions	Outstanding 12/31/05	Amounts Due In One Year
Promissory Note 2-3%	\$ 769,103	\$ 833,886	\$ (1,602,989)	\$ 0	\$ 0
Promissory Note 3-3%	257,048	277,442	(534,490)	0	0
Promissory Note 4-3%	154,500	164,469	(243,170)	75,799	75,799
Promissory Note 5-3%	311,175	326,734	(311,175)	326,734	326,734
Promissory Note 6-3%	618,000	648,900	(618,000)	648,900	648,900
J.P. Morgan Chase - 8.25%	0	49,500	0	49,500	49,500
Total	<u>\$ 2,109,826</u>	<u>\$ 2,300,931</u>	<u>\$ (3,309,824)</u>	<u>\$ 1,100,933</u>	<u>\$ 1,100,933</u>

Changes in note obligations of the Port Authority during the year ended December 31, 2006 consisted of the following:

	Outstanding 01/01/06	Additions	Reductions	Outstanding 12/31/06	Amounts Due In One Year
Promissory Note 4-3%	\$ 75,799	\$ 0	\$ (75,799)	\$ 0	\$ 0
Promissory Note 5-3%	326,734	0	(326,734)	0	0
Promissory Note 6-3%	648,900	0	(648,900)	0	0
J.P. Morgan Chase - 9.25%	49,500	0	(19,500)	30,000	30,000
Total	<u>\$ 1,100,933</u>	<u>\$ 0</u>	<u>\$ (1,070,933)</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>

NOTE 7: LONG-TERM NOTE PAYABLE – TUSCARAWAS COUNTY BANK CONSORTIUM

Changes in long-term obligations of the Port Authority during the year ended December 31, 2005 consisted of the following:

	Outstanding 01/01/05	Additions	Reductions	Outstanding 12/31/05	Amounts Due In One Year
General long-term obligations:					
Loans Payable	\$ 2,809,729	\$ 0	\$ (2,809,729)	\$ 0	\$ 0
Loans Payable - JP Morgan Chase - 5.47%	0	4,200,000	(45,057)	4,154,943	189,180
	<u>\$ 2,809,729</u>	<u>\$ 4,200,000</u>	<u>\$ (2,854,786)</u>	<u>\$ 4,154,943</u>	<u>\$ 189,180</u>

**TUSCARAWAS COUNTY PORT AUTHORITY
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005**

**NOTE 7: LONG-TERM NOTE PAYABLE – TUSCARAWAS COUNTY BANK CONSORTIUM
(Continued)**

Changes in long-term obligations of the Port Authority during the year ended December 31, 2006 consisted of the following:

	Outstanding 01/01/06	Additions	Reductions	Outstanding 12/31/06	Amounts Due In One Year
General long-term obligations:					
Loans Payable - TCC-0.0%	\$ 0	\$ 1,060,599	\$ (22,500)	\$ 1,038,099	\$ 30,000
Loans Payable - JP Morgan Chase - 6.7%	4,154,943	0	(173,551)	3,981,392	149,595
	<u>\$ 4,154,943</u>	<u>\$ 1,060,599</u>	<u>\$ (196,051)</u>	<u>\$ 5,019,491</u>	<u>\$ 179,595</u>

In September 2005 the Port Authority borrowed \$4,200,000 from J. P. Morgan Chase Bank. The proceeds were used to pay \$1,200,000 of the debt to the Tuscarawas County Commissioners and the \$2,809,729 repaid the loans from the various banks. The loan will bear interest at LIBOR plus 1.3 percent. The interest rate will be reset annually.

In May 2006 the Port Authority entered into a loan consolidation agreement with the Tuscarawas County Commissioners. This agreement rolled the three notes payable outstanding into one long-term note. The loan will bear no interest. The loan is to be paid back in \$2,500 monthly payments with the last payment due in August 2041. However, the loan agreement requires the Port Authority to pay all proceeds from the balance of the Midvale property or land to the Tuscarawas County Commissioners if sold before the loan is paid off.

The annual requirements to retire debt are as follows:

Year	Principal	Interest	Total
2007	\$ 179,595	\$ 262,215	\$ 441,810
2008	189,932	251,878	441,810
2009	200,982	240,828	441,810
2010	212,797	229,013	441,810
2011	225,427	216,383	441,810
2012-2016	1,349,341	859,710	2,209,051
2017-2021	1,825,045	384,006	2,209,051
2022-2026	398,272	5,806	404,078
2027-2031	150,000	0	150,000
2032-2036	150,000	0	150,000
2037-2041	138,100	0	138,100
Totals	<u>\$ 5,019,491</u>	<u>\$ 2,449,839</u>	<u>\$ 7,469,330</u>

**TUSCARAWAS COUNTY PORT AUTHORITY
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005**

NOTE 8: CONTRACTUAL COMMITMENTS

As of December 31, 2006, the Port Authority had contractual commitments for the Plymouth Foam renovations as follows:

	Contractual Commitments	Expended	Balance 12/31/2006
Bogner Construction Co.	\$ 1,624,343	\$ 0	\$ 1,624,343
Bogner Construction Co.	256,415	0	256,415
Capital Fire Protection Co.	235,397	0	235,397
	\$ 2,116,155	\$ 0	\$ 2,116,155

NOTE 9: CONCENTRATION OF CREDIT RISK

The Port Authority maintains its activities within the Tuscarawas County, Ohio geographical area. The performance of its operational activities will be dependent on the performance of its tenants. The results of these companies and the operations of the Port Authority projects may be dependent on the economical conditions of the local trade area.

NOTE 10: BUSINESS PARK INCUBATOR – COMPONENT UNIT

A. Description of Business Park Incubator

The Business Park Incubator, Inc. (the “Business Park”) was incorporated as a not-for-profit under the laws of the State of Ohio on August 7, 2005. Operations of the Business Park commenced March 1, 2004. The Business Park was organized for the purpose to develop and promote a business incubator in order to aid development of scalable, light manufacturing, assembly, service, or other businesses within Tuscarawas County and the surrounding areas and communities. On March 22, 2005 the Business Park received an exemption from Federal income tax under IRC Section 501(c)(3), effective August 7, 2003. Since the business park imposes a financial burden on the Business Park, the Business Park is reflected as a component unit of Tuscarawas County Port Authority. The Business Park has a December 31 year end.

B. Summary of Significant Accounting Policies

The Business Park reports its operations as a single enterprise fund. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**TUSCARAWAS COUNTY PORT AUTHORITY
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005**

NOTE 10: BUSINESS PARK INCUBATOR – COMPONENT UNIT

1. Measurement Focus and Basis of Accounting

The Business Park’s fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. Net assets (i.e., equity) is segregated into invested in capital assets, net of related debt, and unrestricted components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurements made. The Business Park uses the full accrual basis of accounting in which revenue is recognized when earned and expenses when incurred.

2. Cash

To improve cash management, cash received by the Business Park is pooled in a central bank account. The Business Park has no investments.

Investment procedures are restricted by the provisions of the Ohio Revised Code.

3. Property, Plant, Equipment and Depreciation

Capital assets at the Business Park are capitalized. All capital assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year.

Donated capital assets are recorded at their fair market values as of the date donated.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fund fixed assets.

Depreciation is computed using the straight-line basis over the following estimated useful lives:

<u>Estimated Lives</u>	<u>Description</u>
10 Years	Improvements other than buildings
5-10 Years	Office equipment

4. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**TUSCARAWAS COUNTY PORT AUTHORITY
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005**

NOTE 10: BUSINESS PARK INCUBATOR – COMPONENT UNIT (Continued)

C. Deposits and Investments

The Business Park follows the same statutory requirements for deposits and investments as the primary government (See Note 2).

D. Risk Management

The Business Park is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters.

The Business Park has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions
- General liability and casualty

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past nine months.

E. Capital Assets

A summary of the Business Park's capital assets at December 31, 2005 follows:

	Balance 12/31/2004	Additions	Deletions	Balance 12/31/2005
<i>Depreciated Capital Assets:</i>				
Improvements other than buildings	\$ 28,768	\$ 0	\$ 0	\$ 28,768
Furniture and equipment	11,336	6,498	(7,578)	10,256
 Total cost	 40,104	 6,498	 (7,578)	 39,024
<i>Less: Accumulated depreciation:</i>				
Improvements other than buildings	(2,210)	(2,877)	0	(5,087)
Furniture and equipment	(1,567)	(1,659)	1,895	(1,331)
 Total accumulated depreciation	 (3,777)	 (4,536)	 1,895	 (6,418)
 Total capital assets being depreciated, net	 <u>\$ 36,327</u>	 <u>\$ 1,962</u>	 <u>\$ (5,683)</u>	 <u>\$ 32,606</u>

**TUSCARAWAS COUNTY PORT AUTHORITY
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005**

NOTE 10: BUSINESS PARK INCUBATOR – COMPONENT UNIT (Continued)

A summary of the Business Park’s capital assets at December 31, 2006 follows:

	Balance 12/31/2005	Additions	Deletions	Balance 12/31/2006
<i>Depreciated Capital Assets:</i>				
Improvements other than buildings	\$ 28,768	\$ 0	\$ 0	\$ 28,768
Furniture and equipment	10,256	0	0	10,256
Total cost	39,024	0	0	39,024
 <i>Less: Accumulated depreciation:</i>				
Improvements other than buildings	(5,087)	(2,878)	0	(7,965)
Furniture and equipment	(1,331)	(1,677)	0	(3,008)
Total accumulated depreciation	(6,418)	(4,555)	0	(10,973)
Total capital assets being depreciated, net	<u>\$ 32,606</u>	<u>\$ (4,555)</u>	<u>\$ 0</u>	<u>\$ 28,051</u>

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

For 2006 net assets restricted for other purposes include money received from The Reckoning. This money is earmarked for a revolving loan fund. The Business Park did not have any restricted net assets in 2005.

The Business Park applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

G. Notes Payable – First Federal Community Bank

In March 2005 the Business Park entered into a loan agreement for \$7,578 with First Federal Community Bank for the purchase of Dell computers. Terms of the loan include a 4 percent interest rate and the loan is due in May 2005.

	Outstanding 01/01/05	Additions	Reductions	Outstanding 12/31/05	Amounts Due In One Year
General long-term obligations:					
Loans Payable	\$ 7,578	\$ 0	\$ (7,578)	\$ 0	\$ 0

**TUSCARAWAS COUNTY PORT AUTHORITY
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2006 AND 2005**

NOTE 11: SUBSEQUENT EVENTS:

On January 31, 2007, the Port Authority approved \$2.3 million bonds. The proceeds of these bonds will be used for the renovation of the Southern Gateway Business Park in Gnadenhutten.

NOTE 12: COMPLIANCE

Contrary to 5705.41(D), several expenditures were not properly certified by the Executive Director prior to incurring the obligation during 2006 and 2005. Contrary to 5705.41(B), function level expenditures exceeded appropriations during 2005 for certain functions tested.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Tuscarawas County Port Authority
Tuscarawas County
339 Oxford Street
Dover, Ohio 44622

To the Board of Directors:

We have audited the financial statements of the business-type activities and the discretely presented component unit of Tuscarawas County Port Authority, Tuscarawas County, Ohio, (the Port Authority) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Port Authority's basic financial statements and have issued our report thereon dated June 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Port Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Port Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Port Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Port Authority's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Port Authority's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Port Authority's management in a separate letter dated June 15, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Port Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2006-001 and 2006-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Port Authority's management in a separate letter dated June 15, 2007.

The Port Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Port Authority's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, and the Board of Directors. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 15, 2007

**TUSCARAWAS COUNTY PORT AUTHORITY
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Noncompliance Citations

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Port Authority can authorize the drawing of a warrant for the payment of the amount due. The Port Authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.
2. Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Port Authority.

61% (26 in 2005 and 5 in 2006 of the applicable 51 transactions) of the expenditures tested were not certified by the Executive Director (the Port Authority's fiscal officer) prior to incurring the commitment and the two exceptions noted above were not utilized. For 48% (29 out of 60) of the expenditures tested, a purchase order was not issued.

Officials' Response: The Port Authority Board will take more timely action to ensure expenditures are certified prior to incurring the obligation. Additionally, the Port Authority will create blanket purchase orders, where appropriate, so that expenditures that are reoccurring and similar in nature are certified in accordance with the aforementioned provision of the Ohio Revised Code.

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2006-002

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2005, function level expenditures exceeded appropriations as follows:

<u>Function</u>	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Contractual Services	\$179,056	\$195,837	(\$16,781)
Insurance	36,000	42,299	(6,299)
Other	11,700	82,665	(70,965)
Interest & Fiscal Charges	185,820	242,630	(56,810)

The Executive Director should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the function level to avoid overspending.

Officials' Response: The Port Authority Board will take a more proactive approach and monitor expenditures versus appropriations to ensure compliance is met.

**TUSCARAWAS COUNTY PORT AUTHORITY
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Rev. Code Section 5705.41(D) – expenditures were not properly certified	No	Not Corrected – Refer to Finding 2006-001
2004-002	Ohio Rev. Code Section 5705.41(B) – expenditures exceeded appropriations	No	Not Corrected – Refer to Finding 2006-002
2004-003	Ohio Rev. Code Section 135.18 – funds on deposit were not properly collateralized	Yes	Fully Corrected



Mary Taylor, CPA
Auditor of State

PORT AUTHORITY

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 26, 2007**